UNITED NATIONS

S

Security Council

Distr.
GENERAL

S/1998/187
3 March 1998

ORIGINAL: ENGLISH

LETTER DATED 2 MARCH 1998 FROM THE CHAIRMAN OF THE SECURITY COUNCIL COMMITTEE ESTABLISHED BY RESOLUTION 661 (1990) CONCERNING THE SITUATION BETWEEN IRAQ AND KUWAIT ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

I have the honour to transmit herewith the report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait pursuant to paragraph 5 of Security Council resolution 1143 (1997) of 4 December 1997. The report, covering the Committee's activities in relation to the implementation of resolution 986 (1995) of 14 April 1995 during the first 90 days after the date of entry into force of paragraph 1 of resolution 1143 (1997), was adopted by the Committee on 2 March 1998.

(Signed) António MONTEIRO
Chairman
Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait

98-05207 (E) 030398

/...

Annex

Report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait on the implementation of the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995)

I. INTRODUCTION

1. The present report is submitted to the Security Council pursuant to paragraph 5 of resolution 1143 (1997) of 4 December 1997, by which the Committee was requested, in close coordination with the Secretary-General, to report to the Council 90 days after the date of entry into force of paragraph 1 of that resolution on the implementation of the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995) of 14 April 1995. By paragraph 1 of resolution 1143 (1997), the Council decided that the provisions of resolution 986 (1995), except those contained in paragraphs 4, 11 and 12, should remain in force for another period of 180 days beginning at 00.01 hours Eastern Standard Time on 5 December 1997.

2. The Committee has to date submitted five reports to the Security Council on the oil-for-food operation, the first four (S/1997/213, S/1997/417, S/1997/692 and S/1997/942) on the implementation of the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995) and the fifth on 30 January 1998 (S/1998/92) on refining and clarifying the Committee's working procedures in order to expedite the approval process for sending humanitarian supplies to Iraq.

II. SALE OF PETROLEUM AND PETROLEUM PRODUCTS

3. Since the resumption of petroleum sales from Iraq, the export of petroleum from Iraq during phase III has proceeded well, with excellent cooperation among the oil overseers, the independent inspection agents (Saybolt), the Iraqi State Marketing Organization and the national oil purchasers. Owing to the delayed resumption in petroleum sales and a serious price drop, a $400 million revenue shortfall in the 90-day revenue objective of $1.07 billion (including the pipeline fee) is anticipated, if current prices remain unchanged.

4. The overseers continued to advise the Committee on prices, volumes, liftings, destinations, management of the revenue objective and other pertinent questions related to imports and monitoring of petroleum exports originating in Iraq in accordance with the provisions of resolutions 986 (1995) and 1143 (1997).

5. As at 2 March 1998, the overseers had reviewed and approved a total of 35 contracts involving purchasers from 15 countries, with three still pending owing to a lack of supporting documents to the contracts in question. The total quantity of oil approved for export under those contracts corresponds to approximately 155 million barrels for the 180-day period renewed in resolution

1143 (1997), the highest amount since the beginning of the oil-for-food operation. All contracts submitted employed the pricing mechanisms approved by the Committee.

6. In the first 90-day period, 46 loadings, totalling 50.7 million barrels, with an estimated value of $623 million, have been completed. Four liftings, totalling 5.7 million barrels, with an estimated value of $68 million, are scheduled for the remainder of the first 90-day period of phase III. The letters of credit opened for each lifting were reviewed and confirmed by the overseers upon compliance with the terms and conditions of the contracts approved. About 63 per cent of the liftings have been made at Ceyhan. The largest share of the volume listed went to Europe. At current prices, total revenue projected for the whole 180-day period by lifting the remaining contractual volumes is about $1.92 billion (including the pipeline fee).

7. The overseers and the independent inspection agents (Saybolt) have worked closely to ensure the monitoring of the relevant oil installations as well as the liftings. They have received the full cooperation of the Iraqi authorities.

8. Pursuant to paragraph 14 of the procedures of the Committee, the overseers have continued to report to it once a week on the contracts considered by them regarding sale of petroleum originating in Iraq, including the cumulative quantity and approximate value of petroleum authorized for export. To date, 63 such reports have been submitted to the Committee.

III. EXPORT OF HUMANITARIAN SUPPLIES TO IRAQ

9. As in phases I and II of the operation, the Committee during the first 90-day period of phase III, continues to attach high priority to the work of processing contracts for supplying humanitarian goods to Iraq. Following the renewal in resolution 1143 (1997) of the arrangements under resolution 986 (1995), humanitarian supplies to Iraq approved under phases I and II continued to reach Iraq. In the same context, phase III has been running in parallel with phases I and II since 2 February 1998, when the first application under phase III was circulated to the members of the Committee. By the end of February 1998, available funds for the purchase of humanitarian supplies had been almost exhausted with respect to phase I and fully depleted regarding phase II.

10. As required under paragraph 8 (a) (ii) of resolution 986 (1995), the Government of Iraq on 5 January 1998 submitted a new distribution plan for the purchase and distribution of humanitarian supplies in phase III. The new distribution plan was subsequently approved by the Secretary-General.

11. With the adoption of resolution 1143 (1997) on 4 December 1997, the Committee started working on refining and clarifying its working procedures in order to expedite the application approval process as stipulated in paragraph 9 of that resolution. The outcome of this endeavour was submitted as a report to the Security Council on 30 January 1998 (S/1998/92).

12. By paragraph 15 of its resolution 1153 (1998) of 20 February 1998, the Security Council requested the Committee to implement the measures and take action on the steps referred to in its report of 30 January 1998 and to consider the relevant observations and recommendations referred to in the report of the Secretary-General of 1 February 1998, in particular with a view to reducing to the extent possible the delay between the export of petroleum and petroleum products from Iraq and the supply of goods to Iraq in accordance with the resolution, to report to the Council by 31 March 1998 and thereafter to continue to review its procedures whenever necessary. The Committee continues to work on these requirements mandated by the Council.

13. As at 27 February, the Committee had received 957 applications under phase I for export of humanitarian supplies to Iraq. Of those, 69 were subsequently cancelled and 879 were circulated to Committee members for action, of which 830 have been approved totalling approximately $1.24 billion, 44 were blocked and 5 remain on hold. Under phase II, the Committee has received to date 611 applications. Of those, 20 were subsequently cancelled and 558 were circulated to Committee members for action, of which 536 have been approved, totalling approximately $1.22 billion, 1 was blocked and 21 have been placed on hold. With regard to phase III, 80 applications have been received so far, of which 2 have been cancelled and 75 have been circulated to the members of the Committee for action. Of the total, 49 have been approved, totalling approximately $0.43 billion, 1 has been placed on hold and 25 are pending under the 'no-objection' procedure.

14. The work of goods-arrival-confirmation by the United Nations independent inspection agents (Lloyd's Register) has been going on smoothly at the four existing entry points in Iraq at Al-Walid, Trebil, Zakho and Umm Qasr. The Iraqi authorities have accorded the independent agents full cooperation in their work. By the end of February 1998, 756 consignments of humanitarian supplies had been confirmed as having arrived in Iraq in total or in partial shipments.

IV. MATTERS RELATING TO THE KIRKUK-YUMURTALIK PIPELINE

15. Pursuant to paragraph 2 of resolution 986 (1995), Turkey, on 14 December 1997, requested the Committee's approval for payments of the oil transportation fee due it during the second 90-day period of Iraq's oil exportation in phase II. A transfer of the agreed pipeline fee totalling $48,285,616.44 was subsequently effected, with Turkey as the beneficiary.

16. As referred to in the Committee's earlier reports, the Committee received from Turkey, pursuant to paragraph 9 of resolution 986 (1995), two requests to supply parts and equipment for the repair and maintenance of the Kirkuk-Yumurtalik pipeline system in Iraq, both of which were subsequently approved by the Committee. The Committee has requested the Secretariat to report on arrangements concerning the practical aspects in the execution of the medium- and long-term repair and storage of the respective spare parts, in order to enable the equipment to be sent to Iraq.

V. CONCLUSIONS

17. The Committee will make continuous efforts for the effective implementation of all relevant arrangements under the oil-for-food programme. In particular, it will implement the measures and take action on the steps referred to in its report to the Security Council of 30 January 1998, with a view to further enhancing efficiency in the approval process of humanitarian applications to Iraq.